



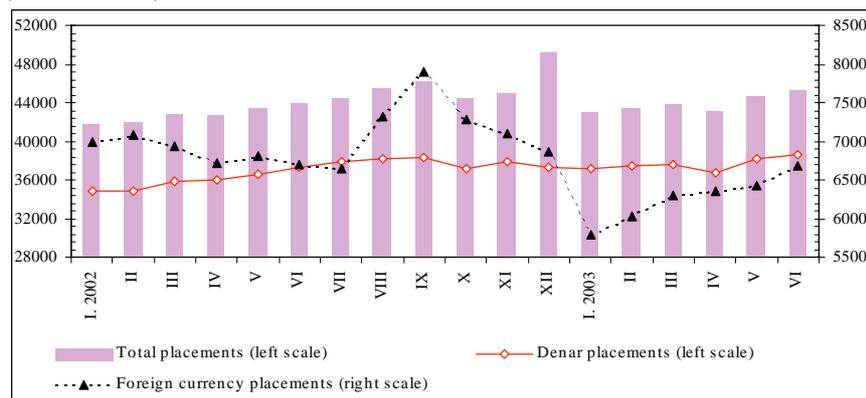
2.3.

Banks' placements and interest rates

In June 2003, the total banks' placements increased by 1.4% on monthly basis

In June 2003, the banks continued to provide financial support for the economy, through further acceleration of the credit activity. Thus the banks' total placements to the non-government sector¹² registered monthly increase of 1.4% in June 2003. The lending in domestic currency was by 1.0% higher, while the foreign exchange placements registered acceleration of the monthly growth rate that equaled 3.8%. Compared to the same month of the previous year, the banks' total placements were by 2.8% higher.

Chart 22
Banks' placements
(in Denar million)



Moderate increase in the Denar placements...

In June 2003, the banks' Denar placements registered moderate monthly increase of 1.0%, registering positive qualitative movements. Thus within the framework of the short-term placements, the amount of doubtful and disputable claims reduced. Additionally, the long-term lending to enterprises, as a relevant source of financing the investment activity, accelerated. The banks provide indirect support to the economic dynamics also through further intensified long-term housing and other types of loans extended to households. In line with such movements, in June 2003 the maturity structure of the Denar placements registered favorable movements directed towards higher share of the long-term placements (monthly increase of 1.4 percentage points). The sector-by-sector analysis indicates that the share of the enterprise and the households sector equals 79.2% and 20.7%, respectively (decline of 0.7 percentage points and increase of 0.8 percentage points, respectively). On annual basis (June 2003 / June 2002), the Denar placements are by 3.3% higher.

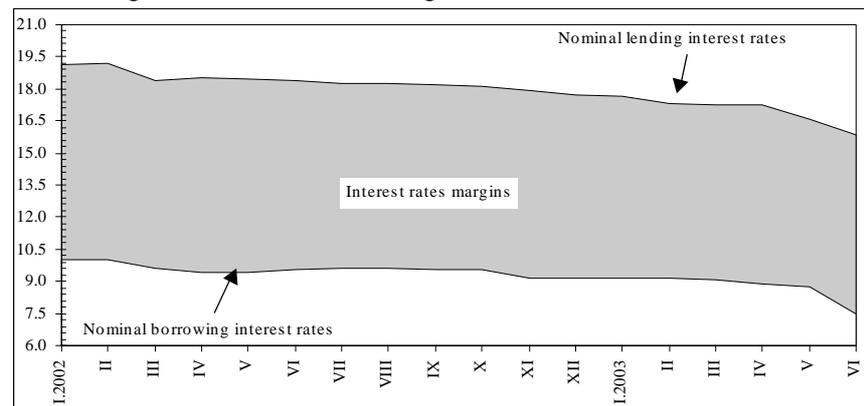
...with more intensive increment being registered in the foreign exchange placements

The banks' foreign exchange placements were higher by 3.8% on monthly basis. The accelerated monthly dynamics of the placements in foreign currency was primarily due to the short-term lending to the enterprises based on used foreign credits, and partially to the credits extended on a short run for payment of current liabilities and financing investment activities abroad. With respect to the maturity, in June 2003, the share of the short-term placements equaled 45.3% and was higher by 1.4 percentage points on monthly basis. The sector-by-sector analysis indicates that almost the total amount of the foreign exchange placements is allocated to the enterprise sector (96.8%). The annual dynamics of the foreign exchange placements was negative in June 2003 (annual fall of 0.3%).

¹² Since April 2003, the banks' placements have been presented in accordance with their accounting balance and all comparisons pertain to the accounting balance (so far the actual balance was presented, which differs from the accounting balance by the corrections made in the written-off claims and the re-recordings with the banks).



Chart 23
Banks' weighted interest rates and margins*



* Pertain to Denar credits and deposits.

The reduction of the lending and the deposit banks' interest rates continues

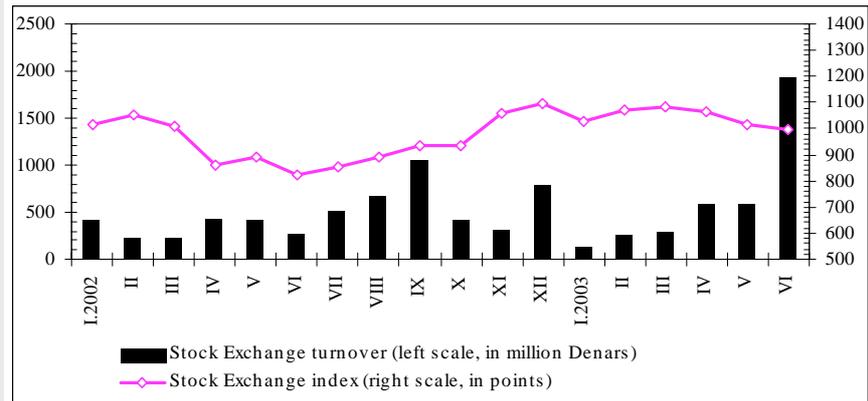
In June 2003, the banks' interest rate policy continued to adjust to the monetary policy layout and to the movements of the interest rates on the Money Market. Thus in June 2003, the short-term average weighted lending interest rate equaled 15.8% (monthly decrease of 0.7 percentage points). Taking into account the identical decrease in the preceding month, the total decline in the average weighted lending interest rate, after the NBRM lowered its interest rates, equaled 1.4 percentage points. The reduction was a result of the interest rate policy of several banks, thus signaling higher degree of competitiveness in the banking system. Additionally, in June 2003 the average weighted deposit interest rate (pertains to three-month Denar deposit) went down. Thus it equaled 7.5%, which is by significant 1.2 percentage points lower compared to the previous month. Such movements resulted in re-widening of the interest rate margins by 0.4 percentage points (in June, the interest rate margin equaled 8.3 percentage points). The average weighted interest rate on the short-term foreign exchange placements remained unchanged and equaled 7.9%.

Considerable acceleration of the Stock Exchange activity in the second quarter of 2003

In the second quarter of 2003, the volume of trading on the Stock Exchange registered significant increase. The total Stock Exchange turnover reached Denar 3,092.5 million, which is by 4.6 times more compared to the preceding quarter. The increase in the turnover is a result of the higher turnover in all markets, with most significant increment being registered on the unofficial market (by 11.6 times), at which the largest portion of the total turnover (Denar 2,056.2 million, or 66.5%) was carried out. The turnover on the official market reached Denar 725.4 million, or 23.5% of the total turnover, which is by 80.9% more compared to the volume of trading registered in the previous quarter. The remaining portion of the turnover is constituted of the trading in shares owned by the Government (7.7%) and the trading in convertible certificates issued by the Government for regulating the savers' claims on the closed savings houses (2.3%), while the volume of trading of these two segments increased by 5.3 times and by 41.1% respectively. Thus Denar 2,231.7 million, or 72.2% of the total turnover were realized in block transactions*, while their value increased by 10 times compared to the previous quarter. In the second quarter, 485 transactions more were executed compared to the preceding quarter, in approximately identical number of trading days. At the end of June, 100 companies in total were listed on the official Stock Exchange market. Observed by months, the highest turnover of Denar 1,923 million was registered in June 2003, which is the highest monthly volume of trading registered since the beginning of 2003.



Stock Exchange turnover and Stock Exchange Index (MBI)



In the first half of 2003, compared to the same period of 2002, the Stock Exchange turnover is by 90.8% higher and amounts to Denar 3,766.3 million. Also, in the first half of 2003, the largest portion of the turnover was carried out on the unofficial market (59.3%), while the most significant increase was registered in the trading on the official market (by 2.8 times). The increase on the official market is a result of the considerably larger number of listed companies, as well as the commenced trading in Government denationalization bonds in this segment of the Stock Exchange. In the observed period, the total number of transactions rose by approximately one third. The executed block transactions make up 65.2% of the total Stock Exchange turnover in the first half of 2003, with their value being higher by 2.6 times compared to the same period of 2002.

In the second quarter of 2003, the Stock Exchange Index (MBI) was continuously going down, remaining under the initial value and at the end of June 2003 it equaled 995.2 points.

* Stock Exchange transactions in which at least 10% of the value of the company (basic capital) were traded, or turnover in the amount over Denar 5,000,000 was realized.

Source: Macedonian Stock Exchange.